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DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
DATE: MAY 25 1954

TO : ARA - Mr. Holland

FROM : E - Mr. Waugh

SUBJECT: Economic Warfare Measures Against Guatemala

I understand that consideration is being given to various economic measures that might be taken against Guatemala in view of the recent deliveries of arms from Iron Curtain countries.

This is a subject in which I believe the experience of my staff - particularly the Economic Defense Staff - could be exceedingly useful. This Staff constitutes the focal point in the Department for the development of measures against the Soviet bloc (including Communist China and North Korea) in the trade, shipping and financial field. It has been responsible, in consultation with the appropriate geographic bureaus, for negotiation with our major allies in this complex field - a field in which few, if any, actions which we are able to take unilaterally can be really effective in the absence of parallel action by other major free world countries, especially in Western Europe. To this end, continuing machinery for consultation and negotiation has been established in the Consultative Group and Coordinating Committee which meet regularly in Paris.

It is important that such measures of economic warfare as may be contemplated for Guatemala be considered in the light of those controls which are established and in force for the Soviet bloc. For example, the US does not prohibit imports from the Soviet bloc in Europe, except for certain types of furs. US exports to the Soviet bloc in Europe are limited to clearly non-strategic goods. With respect to Communist China and North Korea, the US prohibits all trade and shipping. The controls of other free world governments are generally less stringent than our own; for example, other major free world governments continue to permit non-strategic trade with China. Whether other free world countries would be willing to adopt trade, shipping and financial measures against Guatemala more severe than those

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they now apply against the Soviet bloc including Communist China is an important consideration.

I believe it would be useful if we could discuss the entire subject of possible economic measures against Guatemala in the light of the experience we have had in developing and administering free world controls against the Soviet bloc over the last five years.

cc:
EUR - Mr. Merchant
G - Mr. Murphy

EDT:IFrank:mc

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